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Press release

Lower natural catastrophe losses in the first half of 2012

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Natural catastrophe losses were relatively moderate in the first six months of 2012. Overall global losses up to the end of June were in the order of US\$ 26bn, of which approximately US\$ 12bn was insured. The loss statistics were dominated by natural hazard events in the USA where, due to tornado outbreaks and wildfires, nearly 85% of total insured losses worldwide were incurred.

Losses up to the end of June were well below the six-month average of recent years. Overall losses for the first six months were US\$ 26bn, compared with a ten-year average of US\$ 75.6bn for the corresponding period. Insured losses for the first six months of 2012 amounted to US\$ 12bn, compared with a ten-year average of US\$ 19.2bn. Although some 3,500 deaths due to natural catastrophes are to be deplored this year to date, this is well below the average for the last ten years (53,000).

There were, in all, some 450 natural hazard loss events in the first six months of 2012, which is slightly above the six-month average (395). However, at mid-year, there had been no major catastrophes like those of 2011. Thus, the previous year had been marked by the enormous losses from the earthquake in Japan and a number of quakes in New Zealand. Overall losses for the first half of 2011 had already amounted to US\$ 302bn and insured losses to just under US\$ 82bn.

“Losses in the first half of 2012 were comparatively low. It is in line with expectations that extreme and more moderate years will balance each other out in the course of time”, commented Torsten Jeworrek, Munich Re Board member responsible for global reinsurance. “The role of insurers is to set premiums appropriate to the risks in the long term, taking into account all such fluctuations. In this respect, insurers can also do something towards mitigating the loss burdens by providing comprehensive information and offering specific prevention incentives for reducing the vulnerability of buildings and infrastructure to damage.”

The statistics for the first six months to the end of June were dominated by extreme weather event losses in the USA. Some 85% of worldwide insured losses and 61% of overall losses were incurred in America, predominantly in the

USA – compared with an annual average of 65% and 40% respectively since 1980.

This year's tornado season began earlier than usual in the USA. At the start of the spring, in particular, there were tornado outbreaks from the Midwest right down to the South, some of which caused losses in the billion range. The most severe single event was a squall line that crossed several states between 2 and 4 March. In and around Ohio and the Tennessee River alone, some 170 tornadoes were counted, and a number of small communities were almost completely destroyed. Approximately 180,000 homes were damaged. Overall losses totalled US\$ 4bn, of which US\$ 2.3bn was insured. More than 40 people were killed.

Peter Höppe, Head of Munich Re's Geo Risks Research unit, noted: "Overall, most of the severe thunderstorm-related outbreaks with tornadoes affect a limited area, and may cause serious damage locally but are not comparable in scale to events like severe hurricanes. However, due to the number of events, the aggregate annual loss amounts can attain the level of a major hurricane landfall, as seen last year."

The factor that triggered the large number of tornadoes in the spring was probably the warm winter experienced in some parts of the USA and the ongoing activity of the La Niña climate phenomenon. As part of this natural climate oscillation, atmospheric disturbances with very cold air from the northwest repeatedly move across the central states of the USA and meet up with warm, humid air in more southerly and easterly regions. These conditions increase the likelihood of extreme storms. While the number of tornadoes in the first few months was close to the record level of 2008, tornado activity weakened from April, as the La Niña phenomenon gradually tapered off.

"One fact that stands out from the statistics is the increase in the number of tornadoes registered as time goes on, but this is mainly due to better documentation. However, overall in the USA over the past four decades, we can see a rise in losses from convective events, i.e. severe weather events with windstorm, tornadoes, hail, lightning and torrential rain – even when the figures are adjusted to take into account factors like increasing concentrations of values and inflation. One possible explanation could be changes in meteorological conditions, and particularly increased atmospheric moisture content, also due in part to climate change", Höppe continued.

Given the high loss potential of windstorm and severe weather in the USA, Höppe noted the need, particularly in exposed regions, to reduce the vulnerability of buildings and infrastructure. "Consequently, since 1998, our US subsidiary, Munich Re America, has supported the Insurance Institute for Business & Home Safety (IBHS), which is playing a key role in improving building standards with its wind tunnel at Chester County, South Carolina, used to test the windstorm- and fire-resistant properties of buildings", Höppe commented.

In Europe too, natural catastrophes caused lower losses than usual in the first half-year. Only 10% (US\$ 1.3bn) of insured losses worldwide and 16% (US\$ 4bn) of overall losses occurred in European countries. The most severe event was Winter Storm Andrea, with gusts of over 200 km/h and heavy snowfall in the first week of January, which resulted in overall losses of US\$ 700m (€540m). Insured losses were around US\$ 400m (€335m). In addition, the relatively sparsely populated region north of Modena in Italy suffered earthquakes of magnitude 6.0 and 5.8 in May, and 18 people lost their lives. Many historically important buildings collapsed or suffered major damage.

There was a relatively large number of, fortunately, almost entirely minor loss events in Asia and the Pacific region in the first half-year. One very serious event was flooding that affected a number of Chinese provinces in May, causing overall losses in the order of US\$ 2.5bn.

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